



End of Assignment Report

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1. BACKGROUND

This assignment concerned work started during my earlier assignment, which expired in July 2002.

The initial Scope of Work for the earlier assignment, included the following:

- Assist the SADC Secretariat in the organization and support of the meetings of the Customs Advisory Working Groups (CAWG) and the Sub-committee on Customs Cooperation (SCCC). There will be 2 CAWG meetings. (24-27 June and 12-16 August, 2002) and one SCCC Meeting (22-24 July, 2002)
- Assist the SADC region to establish an initial intelligence capacity in member Customs Administrations that will directly facilitate implementation of the customs cooperation provisions on the Protocol on Trade.
- Adapt an intelligence training program to SADC needs and assist the SADC Secretariat and CAWG on training to sustain long-term sustainability.
- Through the SADC Secretariat, assist the customs administrations of the SADC region to begin adopting risk management concepts that will focus resources and techniques on high-risk traders as a means of facilitating trade.
- Adapt risk management training programs to the SADC region and work with the SADC Secretariat and the CAWG on Training to ensure the program is sustained in the longer term.
- Perform selective targeting familiarization sessions and transfer training materials to the CAWG on Training.
- Contribute to the SADC objectives of harmonizing and simplifying customs procedures by providing advice on international “best practices” and WCO Kyoto Convention recommendations.

Specific deliverables to be provided by the present are:

- Carry out an assessment of the Risk Management capacity of Botswana, Namibia, Malawi, Tanzania and assess the progress in the implementation of Risk Management in the Republic of South Africa
 - Risk Management introduced in Namibia, Botswana, Zambia, Malawi and Tanzania
 - Report on the Risk Management capacity of the Customs administrations of Malawi, Namibia, Tanzania and Zambia and on progress in South Africa.

Focus of Work

The bulk of my work in 2002 was focused on the development of a model for a Customs risk management regime for the SADC member states. This included development of the theory of risk management along with a practical plan for implementation. This is the first step in developing the intelligence capacity of the region. After completion of the risk management model, a model was devised for the development of an intelligence capacity for the Member States. Incorporated within the intelligence model are the complimentary roles of intelligence collection and intelligence analysis. The final output for the model will be the development of a targeting capacity at Customs frontier offices, investigations and audit levels.

The thrust of the subject models is to reduce the examination rate of commercial shipments entering/exiting each of the member countries to less than 5% while increasing the “hit rate” of the examinations to maximize revenue collection and interdict mis-described and undervalued goods. There is also a significant increase in focus on contraband goods such as narcotics, weapons and smuggled alcohol and tobacco products. Investigations and audits are to be focused on high-risk commodities and industry

sectors. A complimentary factor is that while high-risk components of trade draw a higher proportion of the Customs interest, identified low-risk components will be facilitated. The end result should be that 95% of the commercial traffic flows through the Customs' Ports of Entry with little or no delay.

Given the time restriction in 2002 it was agreed that the majority of my time would be spent with SARS. The concept was that if SARS could develop a Risk Management capacity they could lead the SADC region in the implementation by providing a model and training the other member countries. To this end, a total of 24 days was spent with SARS in July and August of 2002.

2. PROGRESS IN SOUTH AFRICA REVENUE SERVICE

Given the resources available to SARS and the need to maintain the normal workload of the Customs Research and Support section progress has been more than satisfactory. Their commitment to the establishment of a Risk Management Regime has not diminished; in fact the Commissioner has decreed that implementation will take place at an earlier date than originally planned. I had reservations on the capacity of SARS to move their timetable ahead to the degree planned. The reality is that the establishment of a risk management regime is not something that can take place in a very short time. Normal implementation in a progressive Customs organization will require 18 months of work.

However, despite my reservations, I should note that SARS, building on the generic policy supplied to them, has approved the first draft of a Risk Management Policy. The second draft is under discussion and will be implemented upon approval by the District Management Team. As well, the generic policy on the development of paid informants in the Customs Service is at the first draft stage. This is also expected to be implemented in the current year. SARS has confirmed that they are prepared to lead the implementation of risk management in SADC.

To assist in the implementation, support was provided to SARS in the staffing and marketing phases of risk management. In staffing, a proposed selection board process was developed with Lusanne Fouche, the head of the Customs Risk Profiling and Analysis Section. Lusanne required a process that would assess the skills of a pool of candidates numbering over 200. The process discussed with SARS was designed to ensure that the successful candidates possessed the competencies required to perform intelligence analysis in Customs.

A marketing program for the intelligence function was also discussed with SARS. Work was carried out with Ms. Fouche on a paper for Customs staff that explained the function of the intelligence unit and the role that each employee played in risk management and intelligence. As well, we discussed the value of developing an intelligence bulletin to provide advice on modus operandi of smugglers to line staff.

SARS is also starting work on a National Port Risk Assessment. A model used in Canada was supplied to SARS and Ms. Fouche amended it to fit the South Africa environment and the perceived threats in the RSA. She did a fantastic job and, if the port directors complete the questionnaire as directed, SARS will have their first all-inclusive national ports risk assessment.

Support in the implementation of the risk management regime has been carried out by telephone and email over the length of my assignment in Southern Africa. Further support will be provided outside the scope of my contract once I return to Canada.

3. BOTSWANA

Our original discussions with the Botswana Department of Customs and Excise had set aside three days in the second week of January to provide training in Risk Management to a number of their officers. On arrival in Botswana it was suggested that since the Director, Mr. Ken Morris, was not available that week it would be preferable to conduct the training the following week. Since our plans were fairly flexible we conceded that we could accommodate this request and changed focus to SARS for the remainder of the time. A meeting was held with Mr. Morris on the following Wednesday and he expressed his regrets but he was unable to provide staff for training until the Friday of that week.

On Friday, an abbreviated introduction to Risk Management was provided to senior officers of the Department of Customs and Excise. As well, an assessment of the Department's risk management capabilities was undertaken. Since the program was shortened by two days it was impossible to provide Botswana with the critical action plan items or to work with them in detail on the implementation strategy.

The presentation and the shortened implementation strategy for risk management was, however; very well received. Mr. Morris appointed his Manager, Investigations as the focal point for the implementation of risk management in Botswana Customs and Excise and directed that the implementation would be accomplished sooner rather than later. While we attempted to identify high-risk commodities for the Botswana Department of Customs and Excise it became obvious that intensive research was necessary before this aspect could be advanced.

Mr. Morris questioned the capabilities of the Hub to provide the ongoing support he would need to implement risk management. It was explained that my contract did not allow for the provision of further support but that we were discussing the establishment of a CAWG on Risk Management to assist the member states with implementation. I further noted that I would be available via telephone or email to answer any questions or provide further documentation that he might require. Mr. Morris was satisfied with this response and fully supports the concept of a CAWG on Risk Management.

The evaluation of Botswana's current capabilities was conducted with input from all the senior officers in attendance. The capabilities were determined based on the Risk Management Matrix. This matrix shows five lines of attack that must be taken simultaneously to institute risk management. There are six levels within each line of attack and we appraised Botswana's position in each.

Botswana is at the second level, awareness, in identification and communication with their major shareholders. In fact, they have moved into the third level in some components. In the development of a risk management infrastructure they believe they have move slightly beyond the starting point. They agree that they need to implement risk management and believe they have identified the process that will be followed.

The third line of attack, data collection, is at the second level, awareness. This is based on the use of the ASYCUDA system that provides Botswana with data on the entry of commercial commodities and the collection of revenue. In both the analysis of data and employee investment Botswana is at the starting point. A great deal more work will be required to move them forward in these areas.

At the conclusion of the program Mr. Morris was provided with a disc containing a draft risk management policy, job descriptions for intelligence officers and intelligence analysts, a copy of the risk management assessment matrix, detailed instructions on how to implement risk management in Customs and an action plan for the implementation of the risk management infrastructure that had been developed with SARS.

4. ZAMBIA, MALAWI AND TANZANIA

The better part of five days was devoted to a workshop with representatives from these three countries in Lusaka, Zambia. An introductory meeting was held with the Commissioner of Customs and Excise, Mr. Chriticles P. Mwansa. Mr. Mwansa approved the program that was suggested for his staff and suggested a visit to one of his border ports so the participants could evaluate the benefits of ASYCUDA ++. The Port of Chirundu, located on the Zambezi River across from Zimbabwe was chosen because of its updated computer system and its ease of access from Lusaka. As well, a commitment was made to provide a two hour overview for the senior management of Zambia Customs and Excise.

A meeting was held with Mr. Berlin Mkiska, the Commissioner General of the Zambia Revenue Authority. Mr. Mkiska emphasized that any risk management process undertaken by Customs and Excise would have to be seamless with the process that would be undertaken by Tax and VAT. He noted that organizations who evaded duty and taxes at the border were likely to be involved in fraud against the VAT and Tax laws; a profound observation. I noted that the process that was being offered to the Zambia Customs and Excise was similar to that implemented in Canada where the process was undertaken in conjunction with the rest of the Canada Customs and Revenue Agency. In fact, it can easily be a seamless process.

There is no doubt that there is senior management support for the implementation of risk management in the Zambia Revenue Authority.

The programs provided to the three countries included the theory and the practical application of risk management and provided some information on the establishment of an intelligence organization. Work plans for the implementation of a risk management infrastructure were discussed in detail and a work plan for the implementation of an analysis capability was devised. As well, the participants assessed the current capacity for risk management in each of their countries. The work plans devised are very detailed and cover most eventualities. However, it must be understood that each of the multitude of steps requires some skills and knowledge to implement them. There will likely be some difficulties in some of the Customs Administrations. To this end, the participants and Mr. Mwansa agreed that a CAWG on risk management would be invaluable. They also expressed a keen desire for training in intelligence analysis and some options were discussed.

Tanzania

The Mr. S. S. Yusufu, Deputy Commissioner for Customs and Excise and Mr. Rogotaine Shirima, represented Tanzania. Their organization's involvement in risk management was explored and it was determined that Customs & Excise in Tanzania has two designated intelligence officers and four officers in the Data Management Section that could be described as analysts. The Assistant Commissioner of Data Management reports directly to the Commissioner. Tanzania has an existing policy on risk management for Customs and Excise.

An evaluation of their status on the implementation of risk management showed that Tanzania has made great strides in involving their stakeholders in their business and rate themselves as having achieved the fourth step in the matrix; focus. They understand the needs of their stakeholders and have taken these needs into account when they determine the Customs processes that can be modified. In the development of a risk management infrastructure Tanzania feels that they have reached level three and have also reached level three in Data Collection and Analysis. The involvement of employees is the lowest of all the five and they agree that they are at level one.

Malawi

Malawi was represented by Mr. Mathews Galanje of Blantyre (Airport) and Ms. Ethel Mbawala of Mwanza (Border). Both officers were from operational ports but were able to give a good view of risk management activities in Malawi. Malawi also has a risk management policy in the works.

Malawi is at level three of the matrix in stakeholder involvement. In the development of the risk management infrastructure they believe they are at level two and in data collection they are at level four. In both analysis and employee involvement they describe themselves as being at level one. Intelligence in Malawi is captured under the auspices of the Deputy Commissioner of Intelligence.

Zambia

Zambia Customs and Excise has an embryonic intelligence group and all of them attended the session. Mulenga Kapesa is the senior collector in charge of the unit and was accompanied by Kennedy Mwamba and Chongo Mukupa. The three are long on experience in Customs but were short on experience in either intelligence or risk management. Having said that, their knowledge of the Customs process and their general level of intelligence is impressive and I expect that good progress will be achieved in Zambia Customs and Excise.

The three participants from Zambia defined the current state of affairs in risk management in Customs and Excise. While the results place Zambia at the lowest level of the three countries I would caution that the input from each of the countries was taken at face value by the writer. In fact, I consider that the input from Zambia was brutally honest with no political overtones.

Zambia believes that their association with their stakeholders is at level two. They are also at level two in their implementation of a risk management infrastructure. In data collection they consider themselves at level three. Zambia is implementing ASYCUDA ++ in all its ports and has established a communication structure between Lusaka and the border offices. Both analysis and employee involvement were assessed as level one, just beginning.

5. NAMIBIA

Namibia was represented by Roy Lilungne of the training section and Raphael Maendo from the airport. These are two very bright young men with a firm knowledge of Customs processes and a belief that risk management would be a positive step for the Customs service.

The Namibian representatives were capable of absorbing a great deal of information in a very short time so this session included more information than it was possible to provide to the other groups. The theory of risk management and the practical application were discussed in great detail. The action plans for the implementation of a risk management infrastructure and an analysis section were covered along with material on what an intelligence risk assessment was comprised of. The result of a successful risk management regime was projected down to revenue collection and the positive outcome to the countries economy by facilitating low risk travelers and commercial vehicles while conducting detailed examinations of high risk. The impact on tourism on Namibia was also discussed.

Namibia considers that they are at level 5 in stakeholder involvement. This is the highest of any of the countries visited and the explanation they gave for selecting that level was credible. The risk management

infrastructure was described as at level one and data collection was shown as level two. They felt they were at level two with analysis and at level one with employee involvement.

Since we had the time, we reviewed a PowerPoint presentation that had been developed to boost employee knowledge of risk management. This presentation will be used in Namibia once it has been amended to include their mission statement and mandate.

6. PROJECTED RESULTS

The obvious end of risk management is to move the countries in Southern Africa away from the cluttered, confusing and inefficient border offices they now all maintain. Reform through a risk management medium should result in quicker more efficient processing of both commercial and passenger traffic with an increase in the collection of revenue as a major benefit to the government. After reviewing the Customs process I will suggest that the minimum increase in Revenue that could be expected is 50 per cent. The higher rate of facilitation should lead to an increase in tourism in all of Southern Africa with a resultant increase in foreign exchange that will further benefit each government.

7. RECOMMENDATIONS

Need for a New CAWG

Given that the implementation of risk management is essential to the advancement of trade in Southern Africa I propose that a Customs Advisory Working Group (CAWG) on Risk Management be implemented with the first meeting to be held, likely in the Republic of South Africa, during the first week of June 2003. Given the expertise shown by the South African Revenue Service I suggest that they should chair the CAWG. The CAWG will have to meet as often as once every three months over a period of eighteen months with a technical assistance to guide it until each administration creates a unique organization based on the principles of risk management. The interaction between countries in a CAWG should see a fairly homogeneous risk management regime being implemented in each country.

Need for Training

My work with six countries during this present trip showed an overwhelming realization that Customs administrations need training in risk analysis or intelligence analysis. In each of the countries they rated their activity in analysis as either at the beginning point in the matrix or at the second stage. It must be recognized that the second stage is only having accepted that they understand the analysis process that they will implement.

A second part of the training needs was clearly enunciated by Zambia, Namibia and Botswana. The lead person or senior collector of the risk management/analysis unit must be trained in the finer points of managing such an organization. In most of the developed countries the Manager of the Analysis Section is the lynchpin for its' successful performance.

Training in analysis will also be required. In other countries like Canada the course has been given to analysts from police forces, Customs agencies, and officers from other government agencies such as the Department of the Environment, Immigration, and the Department of Health. The subject course is twelve days in length and requires two consultants with experience in Intelligence Analysis as trainers. Optimum time for delivery of the course would be in conjunction with the initial CAWG meeting, likely immediately after.

8. CONCLUSION

The acceptance of the risk management concept in Southern Africa has been heartening. Some of the Customs Administrations seem to have accepted the concept and are willing to implement it given the proper guidance. The amount of time required to implement the regime and the complexity of the concept have, however; been underestimated.

Creating a CAWG on risk management and providing training in intelligence analysis will be instrumental in improving the flow of trade through the borders of the SADC countries and will have a major side benefit by increasing the revenues to the member countries. The underground economy will be short-circuited and the movement of legitimate tourists will be enhanced.